



# CITY OF ST. LOUIS

**DIVISION OF CORRECTIONS**

**CITY JUSTICE CENTER (CJC) &  
MEDIUM SECURITY INSTITUTION (MSI)**

**EXPENDITURE REVIEW**

**JULY 1, 2014 THROUGH JUNE 30, 2015**

**PROJECT #2016-ER01**

**DATE ISSUED: MARCH 15, 2016**

**Prepared By:**

**The Internal Audit Section**



## OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



DARLENE GREEN  
Comptroller

**Internal Audit Section**  
1520 Market St., Suite 3005  
St. Louis, Missouri 63103-2630  
(314) 657-3490  
Fax: (314) 552-7670

March 15, 2016

Dale Glass, Commissioner of Corrections  
St. Louis City Justice Center (CJC)  
Department of Public Safety  
200 S. Tucker Boulevard  
St. Louis, MO 63102

RE: City Justice Center / MSI Expenditure Review (Project #2016-ER01)

Dear Mr. Glass:

The Comptroller's Internal Audit Section has completed a General Fund Expenditure Review of the City Justice Center (CJC)/ Medium Security Institution (MSI). Enclosed is our report covering the period July 1, 2014 through June 30, 2015. A description of the scope of work is included in the report.

Fieldwork was completed on January 31, 2016. Management's response to the observation and recommendation noted in the report was received on March 11, 2016, and has been incorporated in the report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Dr. Ishmael Ikpeama  
Internal Audit Supervisor

Enclosure

CC: Charlene Deeken, Deputy Director, Department of Public Safety

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**SUMMARY**

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**Background**

The mission of Division of Corrections (MSI & CJC) is to enhance public safety throughout the community. The Division enhances public safety by conducting investigations, supervising offenders, and establishing programs serving as alternatives to incarceration. The Division is also responsible for providing housing and basic needs for pretrial inmates along with processing individuals under the jurisdiction of the St. Louis Metropolitan Police Department (SLMPD) and the Division of Corrections.

**Purpose**

The purpose of this review was to determine if the Division of Corrections (MSI/CJC) effectively and efficiently managed risks pertaining to its General Fund expenditures to ensure:

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations.
- Safeguarding of assets.
- Compliance with applicable laws, regulations, City purchasing policies and procedures.
- Expenditure is properly recorded and reported.

**Scope and Methodology**

The scope of the review covered the period July 1, 2014 through June 30, 2015. The review was confined to evaluating internal controls over the expenditure process and approval relating to the objectives noted above. The review procedures included:

- Inquiries of management and staff.
- Analytical review of financial performance.
- Observations of relevant processes.
- Reviews of processes and transactions for compliance with applicable laws, regulations, policies and procedures.
- Limited tests of controls and related transactions.
- Comparison of processes against best practices.
- Follow-ups on any prior observations.
- Other procedures as considered necessary.

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**Status of Prior Observations**

There have been no recent reviews of General Fund expenditures at CJC or MSI. Therefore, there were no recent prior observations to follow up on.

**Exit Conference**

**Conclusion**

The Division of Corrections (CJC&MSI) had internal controls in place and operating to effectively and efficiently manage risks pertaining to its General Fund expenditure processes. Several control strengths were noted, such as:

- Written purchase request policies and procedures (internal purchase order and Emergency Work Authorization process).
- Proper and adequate management review and approval of expenditures.
- Maintenance of a log for all approved and paid invoices to prevent duplicate payments of invoices.
- Reconciliations of account balances to the City's general ledger monthly.

We did note that the Division has been paying municipal gross receipts surcharge/tax on all telephone bills. We conferred with the City Counselor's Office and determined that the City was not required to pay this tax. This observation is discussed in more detail in the **Detailed Observations, Recommendations and Management's Responses** section of this report.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT'S RESPONSES**

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**Payment of Municipal Gross Receipts Tax**

The Division of Corrections has been paying municipal gross receipts surcharge / tax on all AT&T telephone bills. We calculated that over the period of July 1, 2014 through June 30, 2015, the Division has paid municipal gross receipts surcharge / tax of \$8, 238.19.

City Ordinance #42529 (as amended by Ordinance #67717) requires every telephone company to pay to the City a tax equaling seven and one half percent of the gross receipts of any such company obtained from its customers within the city for any services there provided, except such receipts as defined in the ordinance. However, based on city ordinance #57682 (as amended by Ordinance #64114), no payment made to public utilities (i) the City of St. Louis or (ii) from and after January 1, 1996, by any political subdivision operating a facility for which the City of St. Louis has a direct debt service obligations shall be included in the definition of the term receipts on which Gross Receipts Taxes are imposed or collected under authority of ordinances of the City of St. Louis.

We obtained a legal opinion on the applicable city ordinances in which the City Counselor's Office agreed that city payments to a telephone company (AT&T) are exempt from the gross receipts tax, and therefore, such charges should not be on city bills from AT&T.

The Division management was not aware of the applicable city ordinances prohibiting payments of gross receipts surcharge / tax.

**Recommendation:**

Internal Audit recommends that the Division:

- Contact AT&T and provide notice that the municipal gross receipts surcharge/tax is not applicable to the City based on Ordinance and that they will no longer be paying.
- Stop paying the municipal gross receipts surcharge /tax.
- Work with the City Counselor's Office to determine if any prior taxes paid can be refunded.

**Management Responses:**

*The Division of Corrections would like to thank Olaide Hassan of the Internal Audit Section of the Comptroller for his thorough review of FY 15 expenditures, Project #2016-ER01. The*

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***Management Responses Cont'd....***

*Division agrees with his finding that the Division should not be paying Municipal Gross Receipts Surcharge on any AT&T phone bills.*

*The AT&T contract for the City is held by the Office of the Comptroller. The Division was not involved in the procurement of this contract in any way. It would be inappropriate for this Division to stop paying the surcharge or to inform AT&T that the surcharge is not applicable to the city.*

*As the primary contract holder, the Office of the Comptroller should work to eliminate this charge and work with the City Counselor's Office to determine if any prior taxes paid can be refunded.*